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UNIVERSITY OF NEW ORLEANS FOUNDATION

Financial Statements and Schedules

June 30, 2009

With Independent Auditors' Report Thereon

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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UNIVERSITY OF NEW ORLEANS FOUNDATION

June 30, 2009

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P&N Postlethwaite & Netterville

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
University of New Orleans Foundation

We have audited the accompanying statement of financial position of the University of New Orleans Foundation (the Foundation) as of June 30, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009 and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2009, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
December 21, 2009

P&N

UNIVERSITY OF NEW ORLEANS FOUNDATION

Statement of Financial Position

June 30, 2009

Assets

Current assets:		
Cash and cash equivalents	$	1,813,931
Restricted assets:		
Cash and cash equivalents		1,714,038
Unconditional promises to give, net		602,196
Accounts receivable		2,276,007
Inventories		12,650
Deferred charges and prepaid expenses		39,905
Other current assets		1,135
Total current assets		6,459,862
Noncurrent assets:		
Restricted assets:		
Investments		44,434,085
Unconditional promises to give, net		1,290,341
Real estate, net		13,078,322
Property and equipment, net		539,993
Other noncurrent assets		114,526
Total noncurrent assets		59,457,267
Total assets	$	65,917,129

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	$	2,121,561
Amounts held in custody for others		830,699
Compensated absences payable		122,889
Current portion of capital lease obligations		43,062
Current portion of bonds payable		131,000
Other current liabilities -- due to University		295,742
Total current liabilities		3,544,953
Noncurrent liabilities:		
Amounts invested for others		13,327,147
Capital lease obligations, net of current portion		601,677
Bonds payable, net of current portion		1,134,000
Total noncurrent liabilities		15,062,824
Total liabilities		18,607,777
Net assets:		
Unrestricted		7,206,715
Temporarily restricted		11,471,997
Permanently restricted		28,630,640
Total net assets		47,309,352
Total liabilities and net assets	$	65,917,129

The accompanying notes are an integral part of this financial statement.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Statement of Activities

For the year ended June 30, 2009

Changes in unrestricted net assets:		
Contributions	$	96,744
Investment loss		(592,350)
Service fees		1,168,329
Rental income		364,156
Other income		3,284,106
Total unrestricted revenue and support before net assets released from restrictions		4,320,985
Net assets released from restrictions:		
Net assets released from restrictions		4,475,320
Total unrestricted revenue and support		8,796,305
Expenses:		
Program operations		4,647,563
Property operations		689,609
Total program expenses		5,337,172
Supporting services		
Salaries and benefits		833,253
Interest		62,630
Dues and subscriptions		42,382
Meetings and development		81,128
Travel		1,160
Office operations		28,005
Professional services		315,571
Depreciation and amortization		453,822
Other		29,734
Total supporting services		1,847,685
Total expenses		7,184,857
Increase in unrestricted net assets		1,611,448
Changes in temporarily restricted net assets:		
Contributions		2,904,307
Grants		25,200
Investment loss		(3,818,651)
Other income		497,954
Total temporarily restricted revenue and support before net assets released from restrictions/transfers		(391,190)
Net assets released from restrictions/transfers:		
Net assets released from restrictions		(4,475,320)
Transfers		(25,055)
Decrease in temporarily restricted net assets		(4,891,565)
Changes in permanently restricted net assets:		
Contributions		389,014
Investment loss		(8,638)
Other income		65,382
Total permanently restricted revenue and support before net assets released from transfers		445,758
Net assets released from transfers:		
Transfers		25,055
Increase in permanently restricted net assets		470,813
Decrease in net assets		(2,809,304)
Net assets, as restated at beginning of year (Note 16)		50,118,656
Net assets, at end of year	$	47,309,352

The accompanying notes are an integral part of this financial statement.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Statement of Cash Flows

For the year ended June 30, 2009

Cash flows from operating activities:		
Decrease in net assets	$	(2,809,304)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization		453,822
Realized loss on investments--net of gains		2,943,338
Unrealized loss on investments--net of gains		2,680,921
Restricted long-term contributions received		(1,221,000)
Bad debt expense		342,908
Changes in assets and liabilities:		
Accounts receivable		941,335
Other assets		19,246
Accounts payable and accrued expenses and other liabilities		(237,700)
Net cash provided by operating activities		3,113,566
Cash flows from investing activities:		
Capitalized costs of improvements to real estate, property and equipment		(697,820)
Net change in investments		(2,809,469)
Decrease in amounts invested for others--noncurrent		(2,113,071)
Net cash used in investing activities		(5,620,360)
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes		316,071
Repayment of notes payable, bonds payable, and capital lease obligation		(3,090,267)
Net cash used in financing activities		(2,774,196)
Decrease in cash		(5,280,990)
Cash and cash equivalents including restricted cash at beginning of year		8,808,959
Cash and cash equivalents including restricted cash at end of year	$	3,527,969

SUPPLEMENTAL NON-CASH FLOW DISCLOSURES:

Cash paid during the year for interest	$	174,192
Donation received in the form of stock	$	5,312

The accompanying notes are an integral part of this financial statement.

(1) Summary of Significant Accounting Policies

(a) History and Organization

The University of New Orleans Foundation (the Foundation), a registered non-profit corporation, was established in 1984 with a mission of serving the University of New Orleans (the University) by raising private sector funds for the advancement of the University.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below.

(b) Financial Statement Presentation

The Foundation follows the provisions for not-for-profit organizations and includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

(c) Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

(d) Unconditional Promises to Give

Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectibility.

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated equitably to the participating funds. Investment gains on restricted net assets are classified consistent with the related investment income unless specific donor or legal restrictions dictate otherwise.

(1) Summary of Significant Accounting Policies (continued)

(e) Investments (continued)

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to change in net assets and the establishment of a new cost basis for the investment.

(f) Real Estate

Real estate is held for investment, development or sale purposes and is recorded at cost or fair market value on the date acquired. Depreciation of real estate (excluding land) is calculated on the straight-line basis ranging from 28.5 years to 40 years. Certain real estate investments are being actively marketed for sale.

(g) Plant Assets and Depreciation

Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on date of donation, net of accumulated depreciation. Depreciation of buildings, furnishings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from three years to seven years for vehicles and equipment to 40 years for buildings.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

(h) Impairment of Long-Lived Assets

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recorded by management during the year ended June 30, 2009.

(1) Summary of Significant Accounting Policies (continued)

(i) Amounts Invested for Others and Amounts Held for Others

Amounts invested for others represent funds held in trust for others. These amounts are not owned by the Foundation (see Note 10). The Foundation considers unexpended income from these funds as amounts invested for others. In addition, the Foundation administers the financial assets and maintains the financial records of other entities affiliated with the University, which are amounts held for others and not owned by the Foundation (see Note 12).

(j) Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(k) Service Fee Revenue

Service fee revenue primarily relates to fees earned by the Foundation for managing the investments on behalf of the University and providing services to University affiliated entities. Service fee revenue is recognized on a quarterly basis as a percentage of the investment balances.

(l) Fundraising Expenses

All expenses associated with fundraising activities are expensed as incurred, including any expenses related to fundraising appeals in a subsequent year. Total supporting services expenses related to fundraising for the year ended June 30, 2009 was $319,694.

(m) Income Taxes

Income taxes have not been provided for in the financial statements as the Foundation was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is, therefore, of tax exempt status.

(n) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the valuation of fixed assets, and investments.

(1) Summary of Significant Accounting Policies (continued)

(o) Legal Matters

The Foundation is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position.

(2) Investments

Investments are reported in the accompanying statement of financial position as noncurrent investments of $44,434,085 at June 30, 2009.

Investments, stated at fair value, are composed of the following at June 30, 2009:

Fixed Income	$ 14,747,479
Corporate Stocks	24,873,145
Mutual funds	3,781,746
International securities	206,776
International bonds	824,939
	$ 44,434,085

Investment income is reported net of investment expenses in the accompanying financial statements. Net investment income is comprised of the following for the year ended June 30, 2009:

Interest and dividends	$ 1,372,895
Realized losses, net of gains	(2,943,338)
Unrealized losses, net of gains	(2,680,921)
Investment expenses	(168,275)
	$ (4,419,639)

(3) Unconditional Promises to Give

Unconditional promises to give are included in the financial statements as unconditional promises to give and revenue of the appropriate net asset categories. Contributions receivable are expected to be realized in the following period:

In one year or less	$	743,320
Between one year and five years		1,955,920
More than 5 years		6,000
		2,705,240
Less present value discount of $478,726 and allowances for uncollectible pledges of $333,977		(812,703)
	$	1,892,537

Contributions receivable have the following restrictions:		
Temporarily restricted by donor imposed stipulations for university programs, activities, and building construction	$	1,627,950
Endowment for university programs and activities		264,587
	$	1,892,537

Unconditional promises to give are reported in the accompanying statement of financial position as current promises of $602,196 and noncurrent promises of $1,290,341 at June 30, 2009.

(4) Real Estate

As of June 30, 2009, the Foundation held several real estate properties totaling $12,472,041. The following is a summary of the properties as of June 30, 2009.

In November 1993, the Foundation acquired by donation a 120,000 square foot office building located in downtown New Orleans originally valued at approximately $2.4 million and has a net book value at June 30, 2009 of $3.1 million. The building was subsequently upgraded to house the University of New Orleans Technology Enterprise Center. Prior to Hurricane Katrina which struck the metropolitan area in August 2005, the University and other state agencies occupied approximately 78% of the building, nonprofits occupied 3% and small and/or minority businesses occupied the remaining 19% in a business incubator for new and growing businesses.

As a result of hurricane related damages, the building has been vacant since fiscal year 2005. All repairs have been funded by insurance. The property is classified as held for sale at June 30, 2009.

(4) Real Estate (continued)

On December 30, 1994, the Foundation purchased a complex of buildings in the Lee Circle area of downtown New Orleans from a private company. The properties were purchased for $3.2 million, which was entirely financed by a local bank. The seller of the properties is leasing back a portion of the available space to use as corporate offices for $33,472 per month through December 2009, with occupancy continuing through 2019. Most of the remainder of the property will be used for the Ogden Museum of Southern Art ("Ogden Museum") and to support the teaching mission of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties by the Ogden Museum of Southern Art, Inc., a separate 501(c)(3) corporation created to operate and support the Ogden Museum. During September 2004, the Foundation amended a lease agreement related to certain Lee Circle properties and received an advance lease payment of $600,000 with the understanding that title to that property would transfer to the lessee at some time prior to 2014. As a result of the terms, the advance lease payment was characterized as a sale for financial reporting purposes during the fiscal year ended June 30, 2005.

The Ogden Museum project has been segregated into two phases: Goldring Hall and the Patrick F. Taylor Memorial Library, both of which will be used as art exhibition facilities. Goldring Hall was constructed using a combination of grants from the State of Louisiana and private funds. During 1999, the Foundation transferred to the University land held for the Ogden Museum development with a carrying value of $322,025 and funds totaling $2,418,000 representing amounts previously collected from donors to fund the Museum's development. Goldring Hall opened on August 23, 2003.

The Patrick F. Taylor Memorial Library ("Taylor Library") phase of the Ogden Museum is being financed with private funds. Through June 30, 2003, the Foundation had expended $3,582,170 in construction related costs to renovate this historic building. Work on the renovation was suspended in 2003 to allow for the securing of additional private funding to complete the project. A separate board to govern the Ogden Museum, (the "Museum Board"), is functioning, and the Foundation is no longer funding or operating the Museum.

Pursuant to an operating agreement between the Foundation and the Museum Board, the Foundation makes the Taylor Library available to the Museum Board for completion of renovations by the Museum Board. As a result of delays in obtaining additional contributions to fund improvements and further delays due to Hurricane Katrina, which caused the Ogden Museum to suspend operations for approximately six months, no additional expenditures were made on the Taylor Library from 2003 to 2007. The Taylor Library, however, partially opened to the public for exhibitions in fiscal 2007, and renovations commenced again in fiscal 2008, with $169,932 expended during the year ended June 30, 2009.

(4) Real Estate (continued)

In December 1996, an act of donation was executed whereby a collection of artwork was donated to the Foundation contingent on completion of an appropriate Museum structure to showcase the artwork. The donor is to maintain custody of the artwork until the Ogden Museum is completed. The donor agreed to maintain insurance against loss or damage of the artwork, designating the Foundation as the named insured. A significant portion of the donor's artwork has been loaned to the Museum for display in the Goldring Hall portion of the Museum. In 2004, the Foundation and the donor modified their understanding to clarify that the remainder of the artwork would be donated and title would be transferred by fiscal 2007, assuming that the Taylor Library has been completed by that time and the tunnel connecting the Taylor Library to Goldring Hall is then operational.

As of June 30, 2009, the Taylor Library remains incomplete. Due to the conditional nature of the gift and the Foundation's policy on capitalizing art collections, no amount has been recorded in the financial statements related to this gift.

During November 2003, the Foundation entered into an agreement to lease certain real estate located between Goldring Hall and the Taylor Library to a third party for no rental payments for ten years. The Foundation intends to make this real estate available to the Museum Board in order for the Museum Board to build a tunnel connecting the two exhibition facilities within the Ogden Museum: Goldring Hall and the Taylor Library. At the earlier of the tunnel being completed or the end of the lease term, the ownership of the real estate will be transferred to the third party at no cost to the third party. Work on the tunnel commenced in fiscal year 2008. The Foundation will retain and make available to the Museum Board a right of access to the tunnel portion of the property. Since the Foundation will receive no annual rent or cash proceeds for the real estate, the net book value of the real estate of $400,923 was written-off at June 30, 2004.

In July 2001, the Foundation purchased from a private company a 108,000 square foot building in support of the University of New Orleans film program and named the building the Robert E. Nims Center for Entertainment Arts (the "Nims Center") in honor of its primary benefactor. The property was purchased for approximately $1.8 million, which was entirely financed through the issuance of bonds (see Note 7). The Foundation has entered into a cooperative endeavor agreement with the University, whereby the University reimburses the Foundation approximately $200,000 annually for the use of the Nims Center.

In August 2005, the Foundation acquired by donation a 73,152 square foot building adjacent to the Nims Center which was originally valued at approximately $1.5 million. The donor donated one-half of the building to the Foundation and irrevocably pledged the transfer and donation of the other half of the building to the Foundation at the end of the lease term, which is August 2010, or the passing of the donor, whichever is earlier. The Foundation is leasing one-half of the building from the donor for five years for a nominal amount. As of June 30, 2009, one-half of the donation remains in unrestricted net assets and the remaining half of the donation remains in temporarily restricted net assets due to the donor-imposed stipulation that expires with the passage of time.

(4) Real Estate (continued)

Real estate held for investment, development, or sale consisted of the following as of June 30, 2009:

Technology Enterprise Center (held for sale)	$	4,091,361
Nims Center (actively used)		5,313,571
Lee Circle Properties: (actively used)		
Taylor Library- construction in progress		4,523,792
Land and commercial buildings		1,719,700
		15,648,424
Less accumulated depreciation		(2,570,102)
	$	13,078,322

Depreciation expense on real estate for the year ended June 30, 2009 was $391,585.

Some of the Foundation's properties were damaged as result of the Hurricane Katrina in 2005. The properties are insured by the State of Louisiana Office of Risk Management ("ORM") and management expects to recover nearly all of the cost of repairing the facilities. During the repair phase, no rents are being received on the properties and some tenants were ultimately lost to relocation. Most of the hurricane repairs to the Technology Enterprise Center building have been completed. Due to the relocation of former tenants, the Foundation has listed the building for sale.

(5) Plant Assets and Depreciation

Plant assets consisted of the following as of June 30, 2009:

Land	$	129,000
Buildings and related improvements		231,788
Equipment		1,152,513
Vehicles		20,757
		1,534,058
Less accumulated depreciation		(994,065)
	$	539,993

Depreciation expense on plant assets for the year ended June 30, 2009 was $60,008.

Depreciation and amortization expense on the capital lease in the Statement of Activities includes $2,229 for the year ended June 30, 2009.

(5) Plant Assets and Depreciation (continued)

The property and assets shown above are owned by the Foundation, but the majority of these assets are used by the University of New Orleans in support of its educational and research activities.

(6) Bonds Payable

Bonds payable consisted of the following as of June 30, 2009:

Bond payable to a bank, interest payable semi-annually, principal payable in annual installments ranging from $131,000 to $188,000. A portion of the principal balance totaling $267,000 bears interest at 5.3%. The remaining portion bears interest at a variable rate. These bonds are secured by land and building related to the Nims Center (see Note 5).	$	1,265,000
Less amounts payable currently		(131,000)
Long-term portion	$	1,134,000

Annual maturities of debt are as follows:

Year Ending		Amount
2010	$	131,000
2011		138,000
2012		145,000
2013		153,000
2014		161,000
Thereafter		537,000
Total	$	1,265,000

Interest expense related to notes and bonds payable during 2009 was $137,435. Interest expense charged to support for 2009 was $62,630.

(7) Capitalized Leases

The Foundation leases building equipment under long-term leases. Future minimum payments for capitalized leases as of June 30, 2009, are as follows:

Year Ending		Amount
2010	$	81,444
2011		46,116
2012		49,391
2013		52,952
2014		56,666
Subsequent to 2014		396,552
Total minimum lease payments		683,121
Lease amount representing interest		(38,382)
Present value of minimum lease payments		644,739
Less amounts payable currently		43,062
Long-term portion	$	601,677

At June 30, 2009 the net book value recorded under capital lease amounted to:

Building equipment	$	968,627
Less accumulated amortization		(362,346)
	$	606,281

The related building equipment is a component of the University of New Orleans Technology Enterprise Center (see Note 4).

Interest expense related to the capital lease during 2009 was $41,231.

(8) Net Assets

Temporarily and permanently restricted net assets are restricted to the following at June 30, 2009:

Temporarily restricted:		
Building funds	$	2,655,632
Scholarships		975,594
Faculty- salary supplements		291,878
Research		1,628,331
Educational studies program		1,584,745
Departmental development		4,335,817
Total temporarily restricted	$	11,471,997
Permanently restricted:		
Scholarships	$	2,513,416
Faculty- salary supplements		3,663,200
Research		9,887,252
Educational studies program		11,140,699
Departmental development		1,426,073
Total permanently restricted	$	28,630,640

(9) Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as set forth below for the year ended June 30, 2009:

Purpose restrictions accomplished:		
Program services	$	4,307,739
Equipment purchases		167,581
	$	4,475,320

(10) The Louisiana Endowment Trust Fund for Endowed Chairs and Professorships

One of the Foundation's primary objectives is to raise funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Eminent Scholars was created by the Louisiana legislature in 1983 to provide state funds as a challenge grant to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts. Endowed professorships are established at $100,000 and endowed chairs at $1,000,000, with the State providing 40% of the funding once the Foundation has acquired 60% of the principal through private gifts. The University is allowed to apply for the 40% match while maintaining the 60% private gift in the Foundation. Funds are pooled for investment purposes in the Foundation, but the State's 40% match is recognized as a liability to the University under the caption "Amounts invested for others."

(10) The Louisiana Endowment Trust Fund for Endowed Chairs and Professorships (continued)

The amount invested for others in noncurrent liabilities at June 30, 2009, that was attributable to the Eminent Scholars Program, was $13,327,147.

(11) Program Expenses

Program expenses during the year ended June 30, 2009, were incurred for:

	Program Support	Property Operations	Total Expenses
Transfer to University/Alumni	$ 1,601,619	$ -	$ 1,601,619
Interest expense	-	110,788	110,788
Contract services	749,514	50,033	799,547
Official functions (entertainment)	369,749	906	370,655
Personnel costs	240,791	43,897	284,688
Property maintenance and rent	157,475	75,609	233,084
Office supplies and services	196,682	2,943	199,625
Professional fees	603,966	19,466	623,432
Utilities	22,164	150,942	173,106
Other miscellaneous fees	705,603	235,025	940,628
	$ 4,647,563	$ 689,609	$ 5,337,172

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(12) Related Party Transactions

The Foundation administers the financial assets and maintains the financial records of the UNO International Alumni Association, the Privateer Athletic Foundation, the UNO Property and Housing Development Foundation, and other entities affiliated with the University. Amounts held in custody for others included in current liabilities amounting to $830,699 at June 30, 2009. These amounts represent funds collected by the Foundation on behalf of these affiliates in excess of expenditures made on behalf of these affiliates.

In the normal course of business, the Foundation reimburses the University for certain expenses. The Foundation also provides certain services to the University. Included in expenses for 2009 is $2,190,948, which represents reimbursements paid to the University. At June 30, 2009, funds due to the University totaled $295,742 and funds due from the University totaled $91,180.

Additionally, the Foundation provides certain accounting and administrative services to the University of New Orleans Research and Technology Foundation, which is an affiliated entity. Included in revenues related to these services for 2009 was $512,882. At June 30, 2009, funds due from the University of New Orleans Research and Technology Foundation totaled $913,890.

(13) Fair Value Measurements

The Foundation adopted fair value measurements on July 1, 2008. The framework adopted provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described below.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Fixed income instruments and corporate stocks: Valued at the closing price reported on the active market price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ("NAV") of shares held at year end.

International securities and bonds: Valued at the fair value of quoted prices for identical securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(13) Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2009:

	Level 1	Level 2	Level 3	Total
Fixed income	$ -	$ 14,747,479	$ -	$ 14,747,479
Corporate stocks	24,873,145	-	-	24,873,145
Mutual funds	3,781,746	-	-	3,781,746
International securities	206,776	-	-	206,776
International bonds	-	824,939	-	824,939
Total assets at fair value	$ 28,861,667	$ 15,572,418	$ -	$ 44,434,085

(14) Endowment Net Assets

In accordance with the requirements, established by the FASB, for endowment funds, the Foundation shall provide information about the net assets of its endowment funds. The Foundation's Board of Directors (the Board) is of the belief they have a strong fiduciary duty to manage the assets of the University of New Orleans' endowments in the most prudent manner possible. The Board recognizes the intent is to protect donor intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If the intent is not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions and preservation of the fund.

In accordance with the Foundation's policy, the Foundation spends annually up to 5% of the latest five year fair market value average for Board of Regents matched endowments. The Foundation spends annually between 3% - 7% of the latest three year fair market value average for general endowments. The date used to determine the fair market value is December 31 of each calendar year. No amounts are spent from general endowment funds until the corpus of such endowment reaches $25,000 and these funds have been invested for a minimum of one year. The Board of Regents matched endowments do not receive spending allocations until the Board of Regents matches the private donation and the fund is invested for a minimum of one year.

The goals and objectives of the Foundation's investment policy are to 1) provide investment earnings adequate to fulfill the desires of donors as stated in the gift instruments, 2) achieve a total return adequate to fund the spending rate plus corpus growth to ensure future benefits to new generations, and 3) invest in a variety of diversified categories so that the diversity of the performance characteristics will reduce the volatility of returns from year to year. The strategies employed to achieve these objectives for the Board of Regents matching endowment is to follow the Board of Regents guidelines on investing the funds. The general endowments follow a strategy of guidelines of asset benchmarks and setting investment guidelines for allowed and prohibited investments and transactions.

(14) Endowment Net Assets (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or State requires the Foundation to retain as a fund of perpetual duration. The Foundation had a decline in the fair market value of certain endowments of $1,191,272, which have reduced the value of these endowments to be below corpus at June 30, 2009. The unrealized losses on these endowments are included in temporarily restricted net assets at June 30, 2009.

The composition of the organization's endowments by net asset class as of June 30, 2009 is:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 9,769,648	$ 28,159,827	$ 37,929,475
Investment income	-	960,378	-	960,378
Net depreciation (realized and unrealized)	-	(5,768,452)	(8,637)	(5,777,089)
Total	-	(4,808,074)	(8,637)	(4,816,711)
Contributions	-	-	493,478	493,478
Subtotal	-	(4,808,074)	484,841	(4,323,233)
Program expenses	-	(508,968)	-	(508,968)
Management expenses	-	(376,910)	-	(376,910)
Other changes	-	296,439	(14,028)	282,411
Endowment net assets, end of year	$ -	$ 4,372,135	$ 28,630,640	$ 33,002,775

(15) Restatement of Prior Year Net Assets

As of July 1, 2008, management restated beginning net assets between temporarily and permanently restricted net assets to properly reflect gains that should have been recorded to temporarily restricted net assets:

	As previously reported	Change	Restated as of July 1, 2008
Unrestricted	$ 5,595,267	$ -	$ 5,595,267
Temporarily restricted	11,083,236	5,280,326	16,363,562
Permanently restricted	33,440,153	(5,280,326)	28,159,827

(16) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 21, 2009 and determined that there were no subsequent events requiring disclosure.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedules

June 30, 2009

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 1 - Privateer Athletic Foundation

Schedule of Revenue, Support and Expenses

For the year ended June 30, 2009

Revenue and support		
Program revenues	$	48,484
Contributions and bequests		418,171
Total revenue and support		466,655
Expenses		
Program support		409,845
General and administrative		1,500
Fundraising		36,793
Total expenses		448,138
Excess of revenues over expenses	$	18,517

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 2 - University of New Orleans
International Alumni Association
Schedule of Revenue, Support and Expenses

For the year ended June 30, 2009

Revenue and support		
Program revenues	$	85,407
Contributions and bequests		331,596
Total revenue and support		417,003
Expenses		
Program support		202,631
General and administrative		231,283
Fundraising		21,914
Total expenses		455,828
Excess of revenues over expenses	$	(38,825)

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 3 - University of New Orleans Property
and Housing Development Foundation
Schedule of Financial Position

June 30, 2009

Assets

Real estate held for investment, net	$	2,380,798
Other assets		198
Due from the UNO Foundation		130,408
Total assets	$	2,511,404

Liabilities and Net Assets

Accounts payable	$	5,061
Note payable		1,159,199
Total liabilities		1,164,260
Net assets		1,347,144
Total liabilities and net assets	$	2,511,404

See accompanying independent auditors' report.

UNIVERSITY OF NEW ORLEANS FOUNDATION

Supplemental Schedule 4 - University of New Orleans
Property and Housing Development Foundation
Schedule of Revenue, Support and Expenses

For the year ended June 30, 2009

Revenue and support		
Contributions and bequests	$	80,000
Rental income		65,000
Total revenue and support		145,000
Expenses		
Program support		40,615
General and administrative		69,430
Interest expense		55,052
Total expenses		165,097
Excess of expenses over revenues	$	(20,097)

See accompanying independent auditors' report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the financial statements of The University of New Orleans Foundation (a nonprofit organization) (the Foundation) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, the Foundation's management, and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

December 21, 2009
Metairie, Louisiana

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